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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

JEFF HATCH-MILLER Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

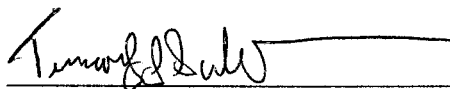
W-01303A-05-0280
WS-01303A-02-0867
WS-01303A-02-0869
WS-01303A-02-0870

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY, INC.,
AN ARIZONA CORPORATION, FOR AUTHORITY
TO IMPLEMENT ARSENIC COST RECOVERY
MECHANISMS FOR ITS AGUA FRIA WATER,
AND TUBAC WATER DISTRICTS.

STAFF'S NOTICE OF FILING

The Utilities Division ("Staff") of the Arizona Corporation Commission hereby files the
Summary of Testimony of Staff witnesses Crystal S. Brown and Marlin Scott, Jr. in the above-
referenced matter.

RESPECTFULLY SUBMITTED this 22nd day of July, 2005.


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The original and thirteen (13) copies
of the foregoing were filed this
22nd day of July 2005 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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22nd day of July 2005 to:

Administrative Law Judge, Teena Wolfe
Hearing Division
Arizona Corporation Commission
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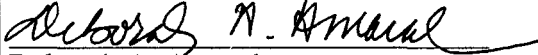
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**SUMMARY OF TESTIMONY
OF CRYSTAL BROWN AND MARLIN SCOTT, JR.
ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. W-01303A-05-0280
July 22, 2005**

I am presenting Staff's recommendations concerning Arizona-American Water Company's ("Arizona-American" or "Company") requests for (1) arsenic recovery mechanisms ("ACRM") for its Havasu, Sun City West, and Agua Fria water districts, and (2) for an Arsenic Impact Fee for its Havasu water district. Staff witness Marlin Scott, Jr., is also presenting Staff's engineering analysis and recommendations regarding the Company's Arsenic Impact Fee request for its Havasu water district. Staff's testimony is summarized below:

1. Authorization of the requested ACRM be conditioned upon Arizona-American maintaining a capital structure composed of no less than 40 percent equity. Any collections under the ACRM attributable to the second and any subsequent consecutive months that the Company does not comply with this condition should be refundable.
2. The Company should file by April 1st each year subsequent to any year that it has ACRM collections a report with the Utilities Division Director showing its ending capital structure by month for the prior year and the ACRM collections attributable to each month. The ending monthly capital structure shall be used to determine compliance. The capital structure shall include equity, long-term debt, and short-term debt.
3. The rate base calculation (Schedule 7) for the Havasu water district be modified to explicitly show a deduction for Arsenic Impact Fee collections.
4. The Earnings Test schedule filed in support of the ACRM should incorporate adjustments conforming with Decision No. 67093. For example, the acquisition adjustment should be removed from rate base and the amortization of the adjustment should be removed from the income statement. The actual period results, adjustments, and adjusted period should be clearly shown on each Earnings Test Schedule. The earnings test places a cap on the ACRM surcharge based on the existing rate of return.
5. Microsoft Excel or compatible electronic versions of the filings and all work papers be concurrently provided to Staff with all ACRM filings.
6. The Company should file the schedules discussed in its application except as modified in the above recommendations. In addition, Staff reserves the right for further discovery as it deems necessary related to the ACRM filings.
7. The Company should file an application for a permanent rate increase for its Agua Fria, Sun City West, and Havasu water districts no later than April 30, 2008 using 2007 as the test year.

8. Approval of Havasu's Arsenic Impact Fee ("AIF") Tariff as modified by Staff and reflected in Staff's attached Tariff Schedule – Arsenic Impact Hook-up Fee.
9. Havasu be required to submit a calendar year status report each January 31st to the Utilities Division Compliance Section for the prior twelve (12) month period, beginning January 31, 2006, until the AIF Tariff is no longer in effect. This status report should contain a list of all customers that have paid the AIF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIF Tariff account, and a list of all facilities that have been installed with the AIF Tariff funds during the 12 month period.

**SUMMARY OF ENGINEERING MEMORANDUM
FOR
TESTIMONY OF CRYSTAL BROWN
ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. W-01303A-05-0280**

July 22, 2005

Commission Staff Engineers, Marlin Scott, Jr., John Chelus, and/or Dorothy Hains, will present Staff's engineering analysis and recommendation regarding Arizona American Water Company – Havasu Water District's ("Havasu") Arsenic Impact Hook-up Fee request. Staff recommends:

1. Approval of the Arsenic Impact Hook-up Fee ("AIHUF") Tariff as modified by Staff and reflected in the Tariff Schedule – Arsenic Impact Hook-up Fee.
2. Havasu be required to submit a calendar year status report each January 31st to the Utilities Division Compliance Section for the prior twelve (12) month period, beginning January 31, 2006, until the AIHUF Tariff is no longer in effect. This status report should contain a list of all customers that have paid the AIHUF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIHUF Tariff account, and a list of all facilities that have been installed with the AIHUF Tariff funds during the 12 month period.